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# FOREIGN POLICY BULLETIN

*An interpretation of current international events by the Research Staff of the Foreign Policy Association*

FOREIGN POLICY ASSOCIATION, Incorporated

22 East 38th Street, New York 16, N. Y.

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## COMMUNIST ISSUE COLORS DECISIONS ON ALL WORLD PROBLEMS

THE world enters a new year with the sobering realization that there are no miraculous panaceas for its multifarious ills, and that the problems inherited from two major wars and a prolonged depression in a quarter of a century may take a decade or more to settle. Of these problems, the three most urgent—all closely interconnected—are control of armaments, the present and future influence of Communism, and economic reconstruction.

WHAT KIND OF ARMS CONTROL? Although the Atomic Energy Commission, by an affirmative vote of ten with Russia and Poland abstaining, decided on December 30 to submit to the Security Council a plan based on the Baruch proposals, the key question of the right of the Big Five to veto the punishment of violations remains unresolved. Mr. Baruch, in tendering his resignation and that of his colleagues on January 4, recommended that the United States continue the production of atomic bombs and preserve the secret of manufacture until a treaty on control of atomic energy has been ratified—and this, in the opinion of experts, may take a long time. Russia, for its part, is unwilling to abandon the right to veto over punishment of violations, and on January 6 *Pravda* declared that the major powers should not be regarded as "potential violators" of any convention governing atomic energy control. The United States and Russia also differ as to the order of precedence in which atomic energy in particular and the reduction of armaments in general should be considered by the United Nations organization. This country insists that priority should be given to the work of the Atomic Energy Commission, while the Soviet government, in its note of December 28 to Secretary-General Trygve Lie, urged that the Security Council should within three months

formulate plans for disarmament as recommended by the General Assembly on December 14.

Some Americans feel that Russia is trying to by-pass the Atomic Energy Commission in favor of the Security Council, where it has an unqualified right of veto. Russia persists in believing that the Baruch plan was an attempt on the part of the United States to by-pass the Security Council in favor of a commission where the veto right could be emasculated on an issue that is regarded both in Washington and Moscow as of crucial importance. This conflict of views, which has now been referred to the Security Council, is not solely between the United States and Russia. Several countries, notably Canada and France, have indicated doubts about the advisability at this stage, of waiving the veto, as urged by Mr. Baruch. The Soviet government has yielded to the American view to the extent of agreeing that the veto would not apply to the day-to-day operations of the international control agency.

IS COMMUNISM GAINING? The principal obstacle to agreement on the problem of armaments remains the fear in non-Communist countries that Communism is making headway, and that this is due primarily to Russia's intervention in the affairs of other nations. Yet a careful appraisal of conditions at the end of the first post-war year indicates that, in countries where the traditions of political liberty are deeply rooted and economic conditions are relatively hopeful, groups favoring moderate reforms are maintaining their ascendancy. Where Communism has registered gains is in countries afflicted by political strife and economic distress. Even observers most critical of Russia agree that, wherever unrest exists—in Italy or Indo-China, in China or Brazil—it is due less to Communist propaganda than to deep-seated maladjustments which the various govern-

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ments in power have been unwilling or unable to correct. This is important for us here to understand. For the way to check Communist influence is not by witch-hunting at home or frontal attack abroad, but by deploying every resource at our command, alone or in concert with other nations, to alleviate the ills that foster discontent. We may consciously decide that we prefer to enjoy the fruits of our own prosperous economy rather than aid other peoples. But if we do, we must not be surprised when other, less fortunately situated, nations regard us with envy or resort to revolutionary methods to improve their parlous conditions.

At the same time, if we scrutinize some alarmist reports, we find that Communism has gained relatively little new support during the past year, least of all in countries bordering on Russia, where the combined forces of renascent nationalism and renewed political opposition are beginning to threaten Communist-influenced or Communist-dominated governments. Typical of these situations are the alleged Rightist plot in Hungary and the resistance of the Peasant party in Poland, which in both cases are anti-Russian and anti-Communist. The prospect now is that, following the withdrawal of Russian forces which must be effected three months after signature of the peace treaties, explosions may occur in some

of the occupied countries, notably Hungary and Rumania—explosions which, in the absence of adequate leadership of a moderate character, might lead to civil strife between Right and Left extremists.

The United States, now the financial center of the world as well as one of its largest markets, has life-and-death powers over the economies of many of the countries which are in the throes of deciding between moderate reform and Communism. The policy of freer international trade sponsored by the Administration is contradicted at home by growing resistance to even modest reductions in tariff duties, by the government's tendency to use loans and credits for political purposes, and by demands in Congress for limitations on immigration. While this reaction against generous American participation in international measures of relief and rehabilitation had to be anticipated, the adoption of a nationalistic course at this critical moment might prove penny-wise and pound-foolish from the point of view of the interests of the United States itself. For it would merely foster the very tendencies toward nationalism and controlled economies abroad which many Americans deplore, and would not help to create a climate of opinion favorable to the development of democratic institutions.

VERA MICHELES DEAN

## UNIFICATION ALONE WILL NOT SOLVE GERMAN ECONOMIC PROBLEM

The economic unification of the British and American zones of Germany, which was agreed upon in principle last summer as a means of lightening the relief burden of the Western occupying powers, has gone into effect with the opening of the new year. The attack which *Izvestia* made on the merger on December 31, however, indicates that the German problem as a whole remains far from settled.

The Soviet Union, according to *Izvestia*, opposes unification of the British and American zones because it fears that the Western powers will corner the production of Germany's heavy industry, which is concentrated in the Ruhr, and make it impossible for Russia to obtain goods from the current production of this key area. Since the end of the war the U.S.S.R. has collected the bulk of its German reparations from plants and stocks in the Russian zone which were in existence when hostilities ended. The Soviet government, however, would prefer to obtain new equipment designed for its particular needs. Russia, therefore, now seeks to receive as reparations specially ordered parts and tools with which it can supplement goods manufactured in its own industrial plants as well as in those it has removed from the Reich.

**DILEMMA OF THE WESTERN POWERS.** According to the Potsdam agreement the Soviet Union is entitled to 25 per cent of all reparations collected

in the western zone of Germany, 10 per cent of this amount to be delivered free to Russia and 15 per cent to be sent in return for foodstuffs and raw materials from the Russian zone. During the year and a half since the end of the war, however, the Soviet military government authorities have sent very few goods to the western zones, partly because Russian troops have been living off the land, and partly because agricultural production in eastern Germany has declined as a result of the Soviet-sponsored land reforms and the lack of agricultural machinery and supplies. Whatever the reasons for the Russians' failure to deliver produce to the western zones, Britain and the United States have been obliged to spend large sums on imports of food for Germans living in their areas, and have felt compelled to pool the resources of their zones in the hope of making them self-sufficient by 1950.

The unification of the British and American zones does not, however, answer the crucial question as to where the industries of western Germany can find markets for the approximately one billion dollars worth of goods they must send abroad each year in order to import essential food and raw materials. Britain will not be in a position to accept considerable quantities of German manufactured goods over a long period of time, for British industries are searching for markets which will enable them to

expand their exports 75 per cent above the pre-war level. The United States has also shown little willingness to permit German products to compete with American goods. And although a number of European countries—notably the Netherlands, Belgium and France—are both willing and able to buy in Germany, their demand is not large enough to absorb the entire German supply, nor do they want to pay in cash. It appears, therefore that only the Soviet Union, whose present and long-range needs for industrial products are virtually inexhaustible, can furnish western Germany with the market it will require once its productive capacity has been at least partially restored by the Western powers. But since the U.S.S.R. would pay for these goods on a barter basis rather than with foreign exchange, Soviet trade could not solve the German economic problem. Under these conditions mere unification of Germany as a whole, for which the Western powers have been pressing, could do little to establish the balance between Germany's exports and imports which is needed to assure the country's relative self-sufficiency, feeling that they, too, are entitled to reparations.

**RECENT U.S. RECOMMENDATIONS.** Compared with the complex international issues at stake in Germany, the problems considered by the Meader Report of the Special Senate Committee which recently investigated American occupation policy seem relatively inconsequential. The report, which was released on December 4 over the protest of several Committee members, reviews the allegedly lawless and immoral behavior of American soldiers toward German civilians, and warns that this lack of discipline encourages German retaliation and thus endangers the security of the United States forces. Although no one can read the Committee's sensational evidence without lamenting the loss of prestige which the behavior of some American soldiers in Germany has cost this country, it can hardly be contended that improvement in military discipline would have much effect on the broad international questions posed in Germany.

*Just published—*

### CHINA IN FERMENT

by Lawrence K. Rosinger

25 cents

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Neither can it be said that the findings of the special House Committee on Post-War Policy, which Representative Colmer released on December 29, offer a constructive approach to the German problem. The Colmer Report urges the United States to extend a reconstruction loan to Germany, not only to make the Germans more self-supporting and hence less of a responsibility for American taxpayers, but to rebuild the Reich as a bulwark against Communism and the Soviet Union. According to the Colmer Report, Russia is a potential threat to the United States not only because of its Communist fifth column but because it may be rearming with the aid of German war plants it has seized as reparations. Whatever may be the factual basis for these suspicions of Russia, the Colmer Committee's recommendation that the western zones of Germany be developed into an anti-Soviet bastion hardly offers a practical solution of the German problem. If the Western powers should attempt to adopt this course, they would encounter vigorous opposition from an active Communist party, which would then demand union with the Russian-controlled eastern portion of Germany. Whether groups friendly to the United States and Britain in western Germany could compete with the Communists is doubtful, in view of the ingrained nationalism of the Germans and the desperate economic crisis for which the Western powers have as yet found no long-term solution.

WINIFRED N. HADSEL

*The Battle Below*, by Robert J. Casey. Indianapolis, Bobbs, Merrill, 1945. \$3.50

*This Is Where I Came In*, by Robert J. Casey. Indianapolis, Bobbs, Merrill, 1945. \$3.00

Both in the first book, one of the most fascinating stories of the details of life on our submarines, or in the second, recounting in superb narrative much that happened in Europe from the day in 1940 when he saw German tanks coming into Longwy, until he stood watching their departure at that point in 1944, Casey proves that good war reporting often makes memorable history.

*The Fever Bark Tree: Pageant of Quinine*, by M. L. Duran-Reynals. Garden City, Doubleday, 1946. \$2.75

A fascinating story of the "Jesuit powder," and its usefulness in making malarial areas habitable. It tells of early opposition to the drug, due to ignorance and religious feeling.

*Woman as Force in History*, by Mary R. Beard. New York, Macmillan, 1946. \$3.50

Mrs. Beard, a distinguished historian, offers vivid examples of women in power through the ages to prove her thesis that women have always been more important in shaping events than has been the accepted belief.

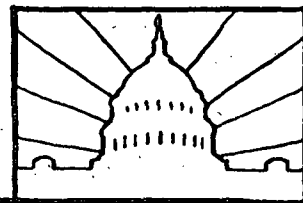
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# Washington News Letter



## BYRNES RESISTS PRESSURE TO REVISE ARGENTINE POLICY

The conversations George S. Messersmith, Ambassador to Argentina, held with Secretary of State Byrnes after his return to Washington from Buenos Aires on December 23 have not altered United States foreign policy in the Western Hemisphere. Mr. Byrnes remains unwilling to tackle at the present time the problem of hemispheric military cooperation which was raised at the Mexico City Conference of American Republics in 1945 so long as the price of solidarity is acceptance of the domestic and foreign policies of President Juan Perón of Argentina. Undisturbed by Washington's disapproval, Perón carried those policies a step forward in December by concluding economic agreements with Chile and Uruguay.

**COOPERATION WITH ARGENTINA IMPRACTICAL.** Messersmith's reported intention to persuade Mr. Byrnes that Perón is at bottom liberal and friendly to the United States came to nothing because Perón failed to heed the warning Byrnes gave the Argentine government last April 8. Byrnes then said that the American Republics must fulfill the obligations they had accepted at Mexico City to eliminate "Axis influences which have threatened the security of the inter-American system." In spite of this warning Perón still gives sanctuary to Nazis and permits Nazi-controlled business firms to function in Argentina. While Mr. Byrnes and Spruille Braden, Assistant Secretary of State in charge of American Republics Affairs, admit the seeming ineffectiveness of their policy in its present negative form, they decline to change it because they regard Perón's government as fascist in character and his policies as imperialistic and hostile to the interests of the United States. Accordingly, Byrnes and Braden oppose the suggestion of the War Department that the United States sell armaments to Argentina.

Because of its size and wealth, Argentina is in a position to influence its small neighbors by a number of methods. It can help countries like Uruguay and Chile with their industrialization programs by extending credits and promising a market for their products. By threatening to withhold foodstuffs from Uruguay, Bolivia and Ecuador it has attempted to influence the internal political situation in those countries. At the same time, Argentina has tried to gain approval in the United States on the ground that it is a bulwark against Communism.

**CHILEAN AGREEMENT.** Argentine penetration as envisaged in the trade agreement with Chile

signed on December 13 would interlock the economies of the two countries. Argentina would make three loans to Chile totaling 700,000,000 pesos (\$170,000,000) in return for three measures: creation of a customs union by which non-competitive goods would pass between the two countries duty free; the establishment of an Argentine-Chilean financial association which would promote the production of Chilean copper, iron, steel, saltpetre, coal, wood and electric power for export to Argentina; and the development of a public works program in Chile under the guidance of an Argentine-Chilean committee. Chile would buy in Argentina the articles needed for the public works program. Trade by sea between Argentina and Chile would be carried only in ships of the two countries, which would also grant free transit for the export of one another's goods. Each would facilitate the establishment of branches of the other's banks in its territories. Both would also promote air communications, including the development of landing fields, under a special air agreement.

By signing the trade agreement, Chile has furnished the United States a new occasion to take issue with Argentine policy. The danger for Chile is that it may prove unable to repay the 700,000,000 peso loans, which call variously for interest at 2.75 per cent, 3.75 per cent and 4 per cent. The United States is ready to insist that Chile give priority in its debt service to the \$33,000,000 in loans it has received from the Export-Import Bank. It is possible that Argentina will encourage Chile to pay the Export-Import Bank promptly, as this would make it more difficult for Chile to pay Argentina on the due dates. Chilean tardiness would then give Argentina an excuse for tightening its grip on the Chilean economy.

The trend toward bilateralism in the tariff policies of Argentina and other River Plate countries, however, antedates the period when the military government took power in Buenos Aires. Basically it reflects the conviction that the difficult economic problems of these countries demand regional, rather than national, solutions. At the same time, bilateralism provides a convenient vehicle for Argentine expansionism in the southern part of South America. This is a problem which cannot be solved on the diplomatic level alone but requires, on the part of the United States, consultation with the Latin American countries on their economic needs and the assistance we might be able to give them.

BLAIR BOLLES

## Brief Who's Who of Candidates

LAURENCE DUGGAN: Director of Institute of International Education; with State Department, Washington 1930-44, Chief of Division of American Republics 1935-44; Assistant Diplomatic Adviser of UNRRA; Adviser U.S. Delegation of Eighth International Conference of American States, Lima, Peru 1938; appointed adviser on political relations 1940; Chairman U.S. Delegation to the Inter-American Travel Congress, San Francisco, April 1939; Adviser to the meeting of the Treasury Representatives of the American Republics, Guatemala City 1939; Adviser to Secretary of State, Second Meeting of the Foreign Ministers of the American Republics, Havana, Cuba, July 1940.

JOHN FISCHER: On editorial staff of *Harper's Magazine*; author "The Scared Men in the Kremlin" (1947) Book-of-the-Month Club selection; Rhodes Scholar from Oklahoma; formerly Associated Press correspondent covering U.S. Senate; during war, chief representative of BEW and FEA in India; on special mission concerning distribution of UNRRA supplies in Russia, March-May 1946.

HAROLD BOLES HOSKINS: Charge foreign business Lockwood, Greene & Company, engineers, Boston 1920-25; Vice President of Cannon Mills, Inc., New York 1937-42; with State Department from March 1941-44; Assistant to Ambassador at Tehran, Iran; adviser on economic affairs with rank of Counselor American Legation, Cairo (Egypt) and to American diplomatic missions in Lebanon, Syria, Palestine, Iraq, Iran, Saudi Arabia and Ethiopia, January 1945. Trustee of American University of Beirut (Syria); Lingnan University (China); Smith College and Bennett Junior College.

MRS. BAYARD JAMES: Member, Board of Directors, Foreign Policy Association since 1936; Director of Speakers Bureau, Foreign Policy Association 1925-28; Associate Director Overseas Personnel, National Headquarters of American Red Cross 1917-20; member Executive Committee, Public Education Association 1920-22; member Community Service Society of New York; Director, Adopt-a-Family Committee, 1932-46; member Executive Committee, Welfare Council of New York City 1933-44; worked for two years with Unemployment Welfare Council; has traveled in Europe extensively since 1900; lived in France and Italy a few years.

JOHN JAY McCLOY: Member, Board of Directors, Foreign Policy Association 1946; lawyer; became expert consultant to Secretary of War, October 1940; Assistant Secretary of War, April 1941-November 1945. Trustee Lenox Hill Hospital. Member, firm of Milbank, Tweed, Hope, Hadley and McCloy; American Bar Association; Bar Association of the City of New York.

FRANCIS T. P. PLIMPTON: Member, Board of Directors, Foreign Policy Association since 1935; lawyer, partner in the firm of Debevoise, Stevenson, Plimpton & Page; general solicitor RFC Washington 1932-33; Trustee, Amherst College, Barnard College (also Treasurer), Athens College (Greece), Lingnan University (China). Director, Philharmonic-Symphony Society of New York, Practicing Law Institute, Near East College Association, Protestant Council of New York. Member, Bar Association City of New York, New York State and American Bar Associations, Council on Foreign Relations, Academy of Political Science, Institute of Pacific Relations. Contributor to legal journals.

DR. GEORGE N. SHUSTER: Member, Board of Directors, Foreign Policy Association since 1940; President of Hunter College, New York; associate editor *The Commonweal*, 1925-29, managing editor 1929-37; fellow Social Science Research Council, Columbia 1937-39; member general advisory commission, Division Cultural Relations, Department of State 1942-44, member Enemy Alien Board No. 2 New York 1942-45. Member, University Chicago Committee on the Freedom of the Press since 1944. Chairman, Historical Commission War Department, sent to Germany 1945; delegate to UNESCO Conferences 1945-46. Author: *Catholic Spirit in Modern English Literature*, 1922; *The English Ode from Milton to Keats*, 1940; *Religion and Education*, 1945. Editor: *Malta Books*, 1930; *Mein Kampf*, 1939; *The World's Great Catholic Literature*, 1943.

**The Annual Meeting of the Foreign Policy Association, Incorporated,**  
will be held at 22 East 38th Street, New York 16, N. Y.  
on Monday, February 3, 1947, at 5 p.m.

WM. W. LANCASTER, Chairman of the Board

**PROXY FOR BOARD OF DIRECTORS**

The candidates listed below have been nominated to serve on the Board of Directors of the Foreign Policy Association, Incorporated, as indicated, and have expressed their willingness to act if elected. The word "Re-election" appears after the names of the present members of the Board of Directors who have consented to run again.

Persons other than those nominated by the Nominating Committee are eligible to election, and space is provided on the proxy for naming such other candidates. Attention is called to the fact that:

"All members of the Board of Directors shall be members of the Association who are so circumstanced that they can attend the meetings of the Board regularly."

Constitution, Article IV, Paragraph 3.

In accordance with the provisions of the Constitution, the candidates receiving the largest number of votes cast at the annual meeting, February 3, 1947, will be declared elected.

Please note that proxies cannot be used

1. unless received at National Headquarters not later than Thursday, January 30, 1947.
2. unless the proxy returned is signed by the member.

Only members of the Association who are citizens of the United States have voting privileges.

Nominating Committee: Mr. Frederick L. Allen, *Chairman*  
Mrs. Thomas S. Lamont      Mrs. Frederick R. King  
Mrs. John H. Finley      Mr. Arthur W. Page  
Mr. Peter S. Paine

*Please cut along this line and sign and return the proxy to the office of the Foreign Policy Association, Incorporated, 22 East 38th Street, New York 16, N. Y.*

**PROXY**

Put cross (x) beside names of candidates of your choice.  
Vote for seven in the Class of 1949.

I authorize James Grafton Rogers or Helen M. Daggett or a substitute to vote for Directors of the Foreign Policy Association, Incorporated, as indicated below:

**CLASS OF 1949**

|                   |  |                        |             |  |
|-------------------|--|------------------------|-------------|--|
| LAURENCE DUGGAN   |  | MRS. BAYARD JAMES      | RE-ELECTION |  |
| JOHN FISCHER      |  | JOHN J. McCLOY         | RE-ELECTION |  |
| HAROLD B. HOSKINS |  | FRANCIS T. P. PLIMPTON | RE-ELECTION |  |
|                   |  | DR. GEORGE N. SHUSTER  | RE-ELECTION |  |
|                   |  |                        |             |  |
|                   |  |                        |             |  |

(A brief "Who's Who" of the candidates is given on the back of this page.)

(Sign here) .....

Member